

MEETING SUMMARY NOTES

Mayor's Infrastructure Finance Committee

June 24, 2003

9:30 a.m., Mayor's Conference Room

Members: Present – Brad Korell, Russ, Bayer, Jan Gauger,
Carol Brown, Jon Carlson, Linda Crump,
Dan Marvin, Otis Young, Terry Werner, Larry Zink,
Allan Abbott (non-voting)

Absent – Bob Hampton, Richard Meginnis, Jerry Schleich

Others: Duane Acklie, Terry King, Kent Morgan, Lynn Johnson, Roger
Figard, Margaret Remmenga, Karl Fredrickson, Margaret Blatchford,
Michele Abendroth

AGENDA ITEMS DISCUSSION:

1. Welcome - Russ Bayer, Committee Tri-Chair

Mr. Bayer called the meeting to order at 9:30 a.m. and asked that everyone introduce themselves.

2. Public Comment Period

Terry King, Executive Director of the Associated General Contractors, which represents the highway construction and municipal and utility construction industry across the state, stated that there is one part of the report that requires statutory change, which is the design build portion. Their membership is in favor of low bid almost without exception, with that being an emergency situation. They believe this protects the public interest and the local contractors. Large design build projects have the potential to remove large amounts of dollars outside the City's sphere of contractors. They do not believe there is any large savings by going to design build. Mr. Bayer thanked Mr. King for his comments.

3. Comments from Duane Acklie

Mr. Korrell introduced Duane Acklie of Crete Carrier Corporation. Mr. Acklie offered his sincere appreciation to the Committee for their work. He noted that he has served on the highway commission for 22 consecutive years, but he is appearing here as an individual who has spent considerable time as a student of our statewide mechanism to finance state and local construction. He stated that the basic mechanism to finance roads has been unchanged for at least the last 22 years. The Nebraska system includes the state motor fuel taxes, the motor vehicle registration fees, and 5% of the state's sales tax on motor vehicles. The Highway Trust Fund is allocated 23 1/3 % to the cities and the counties. Additionally, the counties and cities share equally 2 cents per gallon of the fixed state motor fuel taxes.

Mr. Acklie stated that his concern is that if municipalities elect to use the occupation tax on fuel as a source of revenue, legislators may be more willing to take highway trust funds for general fund purposes because they know local city government can generate substantial revenue from their occupation tax authority. The legislature could also view the occupation tax as improper and move to limit occupation taxes generally or possibly reduce the cities' allocation from the Highway Trust Fund. The worst case is that the legislature acts to prevent local government from collecting their occupation tax and instead imposes a sales tax on fuel in Nebraska. Approximately 40% of the tax that is collected in Nebraska is from trucks crossing Nebraska, so if we can put as much as that to the people that use the highways and streets on someone outside the state of Nebraska, that is a good thing. Mr. Acklie stated that there is a difference between needs and wants, and we have to prioritize. If the City Council should impose this tax, it is his understanding the money would go into the General Fund, which does not necessarily mean it will go toward streets.

Mr. Acklie stated that Governor Johanns has announced the formation of the Transportation Task Force and will meet in Lincoln on September 24th in the Council Chambers at 7:00. Mr. Acklie suggested that it might be appropriate for someone representing the City or this Committee to appear and indicate that it has been over 15 years since the cities and counties have received an increase in their portion of the state road funds.

Mr. Acklie identified that one possible solution is to raise fixed state motor fuel tax by 3 cents per gallon, with possibly 1 cent going to cities, 1 cent to counties, and 1 cent to the state or some other allocation. That might help and still protect the Highway Trust Fund. Ms. Gauger asked how much the 1 cent increase would raise. Mr. Abbott replied that it would be approximately \$1.5-1.75 million.

Mr. Acklie concluded by stating that his only concern is the Highway Trust Fund and noted that the reason the system has not been changed in 22 years is because it works.

Mr. Korell stated that one of the things that came out of the Legislative Committee is that Lincoln does not receive its fair share from the state allocation. Mr. Acklie commented that is right and will always be right, but added that you really have to look at the whole state.

Mr. Marvin asked if there is an inefficiency in that if we ask the state to raise the fuel tax, we only get a piece of that, and if we do the occupation tax, we get 100% of that. Mr. Acklie stated that you have to look at what the state can afford and asked if you lose more if they take away all the city funding. He stated that we have a good system, although it is unfair that the cities have not had an increase in 15 years. He encouraged the Committee to attend the Transportation Task Force meeting on September 24th. Ms. Gauger ensured Mr. Acklie that the Legislative Work Group looked at many solutions that required legislative action, but was concerned about expediency. She added that she appreciates the advice that he is giving the Committee and believes that they should appear before the Transportation Task Force.

Mr. Bayer thanked Mr. Acklie for attending the meeting and for the information he provided.

4. Comments from Mayor Seng

Mayor Seng thanked Mr. Korell and Ms. Gauger for their attendance at the Home Builders Association of Lincoln (HBAL) meeting last night. Mr. Korell stated that although there were some outspoken persons at the meeting, he feels that there is more support than was evidenced. He added that they are still hopeful that they will gain the support of HBAL.

Mayor Seng stated that on July 7th at the State of the City address and the release of the budget, everything has to come together with a big picture. Mr. Zink asked what the function of this Committee is from this point forward. Mayor Seng indicated that the Tri-Chairs will take the lead in making that determination, but the Committee will be looked upon to provide support for the package. Mr. Korell stated that they would like to enlist this group for their support.

5. Committee Comments and Questions

Mr. Bayer asked if there is a formula that the state uses that they could change and take money away if we had an occupation tax. Mr. Abbott replied that it would take legislation to change that, but it could happen. He also stated that he remembers that Omaha tried for a City gas tax in 1994, which is theoretically different than a City occupation tax.

Mr. Korell stated that he feels that Mr. Acklie's concerns are valid and if Omaha followed suit, his concerns would be amplified. He added that he feels that the Committee is still on the right track and suggested that the Committee still move forward.

Mr. Marvin stated the occupation tax is a variable tax that counties and cities can determine their needs and wants and prioritize their spending. Mr. Carlson stated that we are not looking to raise taxes elsewhere; instead, we are looking to tax ourselves. Mr. Zink stated that he still supports the proposal, but added that the rural counties do need as much or more funding increases than we do.

Ms. Gauger stated that the 1 cent increase in gas tax does not equate to what we are raising with the occupation tax, and we would have to go back to the drawing board to raise the rest of the money.

Mr. Werner commented that if Duane Acklie comes before the City Council, he would carry a lot of weight with certain people. Mr. Korell stated that he has asked Mr. Acklie if he will oppose the occupation fuel tax, and Mr. Acklie indicated that he has agreed not to oppose it. Mr. Young stated that we should support Mr. Acklie's concerns on the Highway Trust fund. Ms. Gauger stated that the Committee can do that. Mr. Abbott stated that he feels it is impossible to fund this state's urban needs with strictly the state gas tax, and the cities have to step up.

Ms. Crump asked if we were going to work with other groups to support the kind of need that is there. Mr. King responded that the trucking industry generally agrees on most issues as far as protecting the Highway Trust Fund. They are working with the league and county officials to try and help out the local funding issue. He shares some of Mr. Acklie's concerns, but we need

funding to do the infrastructure. His concern is that if the city/county portion of the state fuel tax is increased, can we look at the local occupation tax to be adjusted, so you are only raising the amount of money that you have budgeted for, and you are not double-dipping.

Mr. Figard stated that Mr. Acklie indicated that there is a difference between needs and wants, and he feels this is a need. Mr. Abbott pointed out that Mr. Acklie had originally noted a concern for contract diesel fuel, and the occupation tax would not include diesel, which would change the numbers slightly.

Ms. Blatchford noted that a few years ago, Wickersham introduced a bill to limit the amount of percentage that we can apply on gross receipts, and suggested that we look at the history of this.

Mr. Carlson asked specifically what HBAL was opposing. Ms. Gauger stated that it was all impact fees.

Mr. Bayer asked the Committee to think about their future role in this process and possibly being a cornerstone for the implementation of the recommendations.

Mr. Korell stated that one of the questions he has been asked is if the wheel tax and occupation tax can be extended into the counties. Ms. Blatchford responded that there is no wheel tax authorization for the counties, and as far as the occupation tax, counties are extremely limited in what they can do.

Mr. Korell stated that he has also heard comments from people that the money should go to what it is intended for, which relates to the trust issue. He believes there should be a footnote to the report indicating such.

Ms. Crump stated that communication and getting information out is so important and asked if there was a way to receive comments from the public and respond to them, possibly through the website. Otherwise, the public feels that you have not listened. The Committee felt that was a great idea and suggested possibly a newsletter type communication.

Mr. Werner noted that there are some members noticeably absent and asked if we are assured that they support this package. Mr. Bayer stated that their absence does not indicate their disinterest or being non-supportive of the package.

Mr. Marvin stated that when selling this package, we have to talk about the benefits for the public, including growth and more opportunity.

Mr. Bayer voiced his concern of gaining the support of the neighborhood organizations and asked the neighborhood representatives for their help in doing that. Ms. Gauger suggested dividing the City into segments and inviting them to a public informational or town hall type meeting. Mr. Carlson stated that it is important to know what the critical dates are when the potential new financing options are going to come forward. Ms. Brown suggested a good time for the town hall meetings would be following the July 7th State of the City address.

Mr. Zink stated he does not feel at this point, he is not willing to make the commitment they are asking. He does not have the time because of other commitments. He is still concerned about the plan from a neighborhood perspective. He is also concerned about the political reality as well as the budget and priorities of growth. And finally, if this Committee is going to be a sales committee, he has concerns about how it is going to be labeled if he is not part of it, but was part of the Committee. Also, if there are quarterly segment meetings, although he knows there is probably not another solution, he would not expect a good turn-out because he believes there is a lot of skepticism out there. Ms. Gauger stated that she feels so strongly in this proposal and she does not see how someone could criticize the City Council when many political organizations are backing this report. Mr. Marvin stated that he would shift the timeline a little bit, because if the town hall meetings are this summer and the vote is in May, people will tend to forget by then. Mr. Carlson suggested having another town hall meeting just prior to the election. Mr. Bayer commented that there should be two meetings, one in July and the other in May. He also suggested that if a member does not want to go forward with the implementation phase, let Mr. Morgan or one of the tri-chairs know.

6. Other Business

Ms. Remmenga briefly explained the process in response to a question if there are utility bonds that will be paid off before the new bond is fully mature, thus possibly reducing future bond payments. Ms. Brown stated that she feels it is important to simplify things and let people know this process.

Mr. Abbott noted that the letter from Terry Bundy stated two things; first, about burying the cable, and, second, that LES should not have to pay the total cost of the relocation of the line. Mr. Abbott stated that he has already implemented that water and wastewater pay for the relocation of a line, and he asked for the Committee's continued support on this issue.

Mr. Bayer adjourned the meeting at 11:05 a.m.